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THE EFFECT OF FINANCIAL RATIO ANALYSIS ON THE COMPANY'S FINANCIAL PERFORMANCE AT PT. PERKEBUNAN NUSANTARA IV (PTPN IV)

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Abstract *Profit is often one measure of company performance, when the company earns high profits, it means that its performance is considered good and vice versa. Investors are very concerned about the company's ability to generate and increase profits. Financial statements are able to provide an idea of how much profit is earned in an entity in a certain period. With financial statements can also assess the company's performance. This study discusses the analysis of liquidity, solvency and profitability ratios. This study aims at how influential the ratio analysis is on the company's financial performance. The method applied to this study is the associative descriptive method. The data used in this study is secondary data, obtained from the annual financial statements from the official website of PTPN IV for the 2021-2022 period. The results show that there is an increase or decrease in the financial ratio in PTPN IV for the 2021-2022 period. From these results, it shows that there is an influence of ratio analysis on the company's financial performance. This is because financial reports can provide important information needed by all parties, especially for the progress of the company itself. Of course, this financial ratio analysis is able to have an influence on the company's financial performance.*

Abstract Profit is often one measure of company performance, when the company earns high profits, it means that its performance is considered good and vice versa. Investors are very concerned about the company's ability to generate and increase profits. Financial statements are able to provide an idea of how much profit is earned in an entity in a certain period. With financial statements can also assess the company's performance. This study discusses the analysis of liquidity, solvency and profitability ratios. This study aims at how influential the ratio analysis is on the company's financial performance. The method applied to this study is the associative descriptive method. The data used in this study is secondary data, obtained from the annual financial statements from the official website of PTPN IV for the 2021-2022 period. The results show that there is an increase or decrease in the financial ratio in PTPN IV for the 2021-2022 period. From these results, it shows that there is an influence on the analysis of the ratio to the company's financial performance. This is because financial reports can provide important information needed by all parties, especially for the progress of the company itself. Of course, this financial ratio analysis can have an influence on the company's financial performance.

INTRODUCTION

The construction of a company is certainly inseparable from the goal to achieve or get maximum profit. In addition, the company also has the responsibility to prosper the shareholders. To get maximum profit, the company must ensure that many investors are willing to invest in the company. To build investor confidence to want to invest in the company, the owner of the company must also ensure that the company is in good shape. An investor really needs information about the company's financial condition to find out whether the company has a profitable prospect for the future or not.

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The good and bad financial condition of the company can be seen in the financial performance of the company itself. If the financial performance in the company improves, it can be ascertained that the company has good prospects. Fahmi in (Tanor, 2015) defines financial performance as an analysis to find out whether a company is running in accordance with existing financial regulations or not. In measuring the company's ability to control its resources, investors can see it through existing financial performance reports.

In addition to investors, financial performance reports are also needed by the company itself. Because by measuring financial performance, companies can also find out their potential and what improvements the company must make to be better in the future. After knowing the results of the financial statements, a company will evaluate the report to be able to achieve goals by making a strategy for the company. Prasnanugraha (2007) in (Yudiartini &; Ida, 2016) states, financial statements convey the information needed in making decisions. According to (Angelia et al, 2020) a company can be called successful when it has met the standards and objectives that have been set.

Financial statements are the most important part of a corporate organization. Financial information in the form of financial statements is used for the company concerned to report its financial condition and company performance, to interested parties, especially investors, creditors, and shareholders. The financial position of the company is indicated in the balance sheet statement. In the balance sheet report, we can find out the wealth or assets of the company owned and where the funds come from to finance these assets, both from own capital and from debt to creditors. The company's performance can be seen from the income financial statements. Profit is often one measure of company performance, when the company earns high profits it means its performance is good and if the company experiences losses then the company's performance is not good. Investors in the capital market are very concerned about the company's ability to generate and increase advantage. In estimating the good or bad financial condition, companies usually use financial ratio analysis. Financial ratio analysis is an analytical tool used based on data obtained from profit / loss statements, balance sheets and cash flows. Financial ratios commonly used in assessing the condition of financial performance are, ROA, CAR, NPL, LDR, ROE and others.

Kasmir in (Gani and Putri, 2018) stated, Financial statement analysis as a process in identifying the company's financial characteristics seen through accounting data and other financial statements. The relationship between the numbers obtained based on the results of the comparison of financial statements with one another is called the financial ratio. Harahap in (Angelia, 2020). In essence, the calculation of financial ratios is used to provide reports on the company's financial performance.

LITERATURE REVIEW

Financial Ratio Analysis According to Sundana in (Nurfadila et al, 2015) to find out the strengths or weaknesses of the company, one can see it through financial ratio analysis. For investors, this information is very important to find out whether the company can generate maximum profit or not and for the company's management, the information in the financial ratio analysis is important to evaluate the performance that has been achieved by the company then to create a new strategy for the company in the future. According to Warsidi and Bambang in (Tyas, 2020) Financial ratio analysis is also referred to as a measuring tool for company performance, where the analysis is able to provide an overview of changes that occur in financial conditions, risks faced and company opportunities.

Understand the method of comparing financial ratios in financial ratios

There are two ways to compare company financial data, namely, internal and external comparisons.

1) Internal Comparison
   Internal comparison is a comparison of financial ratio analysis carried out involving two types of data at different periods of time. That is to compare the current ratio with the previous ratio in the same company.
2) External Comparison
   This method is used by comparing the ratio of a company with other similar companies. This comparison is able to give an idea of the financial situation.

1. Types of Financial Ratios

Financial ratio analysis calculations can be done to assess the company's financial performance. The report can later be used for decision making, determining and also determining company policies.

The types of financial ratio analysis are: Liquidity Ratio, Solvency Ratio, Profitability Ratio, Activity Ratio, Valuation Ratio and Growth Ratio.

1) Liquidity Ratio, which is a ratio that describes the company's performance when meeting short-term debt. Types of liquidity ratios:
   Cash Ratio, Cash Turnover Ratio, Current Ratio, Quick Ratio and Inventory to Net Working Capital.
2) Solvency Ratio: A ratio used to measure how far a company's assets are financed with debt. Some solvency ratios, including:
   Debt *to Equity Ratio, Debt To Asset Ratio, Fixed Charge Coverage&; Tangible Assets Debt Coverage.*
3) Activity Ratio: A ratio used to assess the level of effective utilization of company resources. Some of these are Activity Ratios, including:
   Fixed Assets Turn Over, Receivable Turn Over, Working Capital Turn Over&; Inventory Turn Over.
4) Profitability Ratio: A ratio used to measure a company's ability to seek profit in a certain period. Here are some types of profitability raio, namely:
   ROA, ROI &; ROE.
5) Growth Ratio: A ratio that is able to provide an overview of the success of the company to maintain its economic position among the improvement of the economy and its business sector.
6) Valuation Ratio: A ratio that measures management's competence while making the market value of its business higher than the cost of investment.

2. Financial Performance

According to Fahmi (2014: 2), "financial performance is an analysis conducted to see the extent to which a company has implemented using financial implementation rules properly and correctly". Company performance is a description of the financial condition of a company that is analyzed with financial analysis tools, so that it can be known about the good and bad financial condition of a company that reflects work performance in a certain period.

Financial performance is considered important for the company because thanks to the financial performance report, the company can understand the ability to obtain financial obligations that must be met, know how much profit is obtained, and know whether the company is able to pay dividends to shareholders.

RESEARCH METHODS

1. Types of Research

This study is an associative descriptive research. namely the method used with the aim of finding a relationship between two or more variables, this research was conducted at PT. Nusantara Plantation IV. research that aims to find out and analyze based on financial statements from the official website of PTPN IV. Furthermore, as a support for research, data is also obtained through several literature, books, journals related to financial ratios and company performance.

2. Data Type

The data used in this study are secondary data from 2021 to 2022. Secondary data is obtained through documentation in the form of financial statements of PT. Perkebunan Nusantara IV for 2021-2022 from the company's website, namely https://www.ptpn4.co.id/laporan-tahunan/

3. Research Object

The object in this study is PT. Nusantara Plantation IV. Office of directors of PT. Nusantara IV Plantation is located on Jl. Letjen Suprapto No.2, Hamdan, Medan Maimun District, Medan City, North Sumatra 20212.

RESULTS AND DISCUSSION

This study produces data on how the effect of financial ratio analysis on the company's financial performance. To assess how the company's financial condition, the researcher conducted a ratio analysis at PT. Perkebunan Nusantara IV, this company is engaged in agro-industrial business. in terms of liquidity, solvency and profitability ratios. That way researchers are able to find out the strengths and weaknesses that exist in the company. The following is presented the calculation of the analysis of the financial performance of PT. Nusantara IV plantations for the 2021-2022 period are as follows:

Ratio	**2021 (%)**	**2022 (%)**	**(+) / (-) (%)**	**Information**
Liquidity Ratio				
Current Ratio	164,03	179,81	15,78	Increase
Quick Ratio	141,33	133,39	7,94	Decreased
Ratio Solvabilotas				
Debt to Total Assset	53,26	48,74	4,52	Decreased

Debt to Equity Ratio	113,93	95,08	18,85	Decreased
Profitability Ratio				
Return on Assets	9,99	9,46	0,53	Decreased
Return on Equity	21,38	18,45	2,93	Decreased

From the calculation of ratio analysis at PT. Perkebunan Nusantara IV from 2021 to 2022, for this reason, it can be seen about the results of the company's financial performance based on profitability, solvency and liquidity ratios, which will be discussed next, namely:

1. Liquidity Ratio

Based on the calculation results, it can be seen that the current ratio is 164.03% in 2021, an increase of 179.81% in 2022. This means that from the calculation results from 2021 to 2022, PTPN has increased by (15.78%). And for the quick ratio results in 2021 of 141.33%, it decreased to 133.39 in 2022. Where the quick ratio decreased by (7.94%). With an increase in the current ratio, it indicates that the company is increasingly liquid, meaning that the company has the ability to meet its short-term obligations before maturity.

The increase in the current ratio is due to an increase in current assets, whether it is an increase in cash obtained due to increased sales in cash or due to repayment of receivables, an increase in receivables due to uncollected, and an increase in inventory.

2. Solvency Ratio

The Debt To Total Asset Ratio in 2021 was 53.26% and decreased by 4.52% in 2022. So that in 2022 the total asset ratio is 48.74%. The decline in DAR was due to a decrease in the company's total assets. This has a bad impact on the company because the amount of assets is smaller than the company's debt.

The Debt To Equity Ratio in 2021 was 113.93% and became 95.08% in 2022. This means that there is a decrease in DER by 18.85%. The decrease in the value of DER means that the level of debt owned by the company is also low. If the DER value is high, it means that the greater the obligations that must be borne by the company and the greater the portion of debt use in financing investments in assets. With the decreasing value of DER, PT. Nusantara plantations are getting better at managing their debts.

3. Profitability Ratio

The profitability ratio is used to assess how well a company's capital is doing to generate profits. For Return On Asset at PT. Nusantara IV plantations in 2021 amounted to 9.99% and became 9.46% in 2022. This means that Return On Assets decreased by 0.53%. This decrease in ROA value indicates sales activities that are not optimal and too large operational expenses and other expenses at PTPN IV. The rise and fall of ROA is also caused by unstable profits on sales, then followed by a decrease in total asset turnover, this decrease indicates that the company is increasingly ineffective in managing assets and generating profits.

For Return On Equity at PT. Nusantara IV plantations in 2021 amounted to 21.38% and became 18.45% in 2020. So it can be seen that Return On Equity decreased by 2.93%. The decrease in ROE must be immediately anticipated by the company so that the company is still able to make a profit by managing its capital.

With the financial ratio analysis report above, investors can see the company's condition before investing, so investors are able to assess whether the company is in good financial condition and able to provide profits or not. The results of the ratio analysis above are also able to help the company's financial management to find out what financial obstacles are being faced by the company so that the company is able to take the right steps in the future. Therefore, it can be said that financial ratio analysis affects the company's financial performance because financial ratio analysis is able to provide benefits to the company.

CONCLUSION

Based on the results of the discussion, it can be concluded that financial ratio analysis can have an influence on the company's financial performance. The better the results of the financial ratio analysis, the better the condition of the company's financial performance, and vice versa. Because by evaluating financial performance, we are able to find out the level of health of a company. And the assessment of financial performance is carried out using financial ratio analysis.

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